Third Quarter Financial Report 2012-13

For the period ended December 31, 2012

Farm Credit Canada
Advancing the business of agriculture

Canada

Farm Credit Canada

Headquartered in Regina, Saskatchewan, Farm Credit Canada (FCC) is a financially self-sustaining federal Crown corporation reporting to Parliament through the Minister of Agriculture and Agri-Food. We serve Canadian agriculture by providing financing and other services to more than 100,000 primary producers, value-added operators, suppliers and processors along the agriculture value chain. Operating out of 100 offices located primarily in rural communities, our more than 1,500 employees are passionate about the business of agriculture. Every year, FCC provides learning events to over 10,000 participants and knowledge publications to more than 100,000 subscribers.

Contact Corporate Communication at communications *a* fcc-fac.ca for more information.

Third Quarter Financial Report 2012-13
For the period ended December 31, 2012

This report was prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and should be read in conjunction with disclosures and information contained in FCC's annual report and corporate plan summary.[1]

Financial results

FCC is committed to fiscal prudence and transparency. This document contains the corporation's unaudited financial results for the third quarter, which ended December 31, 2012. The corporation is on track to meet or exceed the performance measures for the current fiscal year as outlined in the Corporate Plan Summary for 2012-17.

Loan portfolio

FCC experienced overall growth in loans receivable of $2.0 billion from March 31, 2012, bringing its loan portfolio to $25.2 billion at December 31, 2012. Loan portfolio growth of 8.7% for the nine months ended December 31, 2012, was higher than the loan portfolio growth of 8.4% for the first nine months of the prior fiscal year.

The rate of loan portfolio growth for the nine-month period ended December 31, 2012, increased over the comparable period in 2011-12 due to higher net disbursement levels. Net disbursements for the nine months ended December 31, 2012, were $6.2 billion, an increase of $687.7 million, or 12.5%, over the nine months ended December 31, 2011.

Profitability

($ millions)

	Three months ended		Nine months ended	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Net interest income	**$ 219.2**	$ 204.2	**$ 642.4**	$ 599.4
Provision for credit losses	**26.8**	(64.5)	**(19.4)**	(1.5)
Insurance and other income	**3.0**	4.1	**9.0**	10.5
Administration expenses	**(82.3)**	(68.5)	**(235.2)**	(203.9)
Fair value adjustment	**(1.5)**	(1.9)	**-**	(2.8)
Net income	**$ 165.2**	$ 73.4	**$ 396.8**	$ 401.7

In the third quarter of 2012-13, net income was $91.8 million higher than the same quarter in 2011-12. This was mainly due to a decrease in the provision for credit losses of $91.3 million and higher net interest income of $15.0 million, partially offset by an increase in administration expenses of $13.8 million. The significant change in the provision is due to an adjustment made to increase the allowance for credit losses in the third quarter of 2011-12 to reflect changes in the underlying assumptions used to calculate the allowance. In addition, in the third quarter of 2012-13, there was an improvement in portfolio health resulting in a reduction of the required allowance.

[1] These documents are available at www.fcc-fac.ca/About Us/Corporate Profile.

The provision for credit losses for the nine-month period ended December 31, 2012, increased $17.9 million over the prior year. The change in provision is mainly a result of portfolio growth partially offset by an improvement in portfolio health.

Net interest income for the three- and nine-month periods ended December 31, 2012, has increased due to increased loan portfolio volume, partially offset by lower margins. The net interest margin for the three-month period ended December 31, 2012, decreased to 3.37% from 3.43% for the comparable period in 2011. The net interest margin for the nine-month period ended December 31, 2012, decreased to 3.39% from 3.47% for the comparable period in 2011. The decrease in the net interest margin for both the three- and nine-month periods was mainly due to lower lending margins and an increase in borrowing costs.

Administration expenses increased $31.3 million year-over-year, mainly as a result of benefits expenses related to pension costs and salary expenses as a result of an increase in the number of employees required to support growth in the business. Higher professional fees expenses also contributed to the increase.

Capital management

FCC's debt-to-equity ratio decreased slightly from 7.1:1 at March 31, 2012, to 6.9:1 at December 31, 2012, due to equity growing at a faster rate than the balance of debt outstanding.

Cash flow

Cash and cash equivalents at December 31, 2012, increased to $952.0 million from $630.8 million at December 31, 2011. For the nine-month period ended December 31, 2012, cash of $1.6 billion was used in operating activities and $63.4 million was used in investing activities. Conversely, $1.8 billion was provided by financing activities.

Outlook against corporate plan summary

FCC is projected to meet or exceed all year-end financial targets as outlined in the Corporate Plan Summary for 2012-17.

Measure	Outlook
Net income	**Ahead** due to higher than expected net interest income and a lower provision for credit losses.
Return on equity	**Ahead** due to higher than expected net income.
Efficiency ratio	**On track** with Corporate Plan.
Debt-to-equity ratio	**On track** with Corporate Plan.
Portfolio growth	**Ahead** due to higher than expected disbursements.

Enterprise risk management

FCC has adopted an enterprise risk management framework to manage risks efficiently, consistently and in a co-ordinated manner. The corporation is exposed to five main categories of risk: credit, market, operational, strategic and reputation.

FCC's risk assessment process includes risk identification, measurement and aggregation. This is an ongoing process for credit and market risks. All risks are assessed annually during the strategic planning process and constitute the corporation's risk profile. Executive Management Team members are responsible for developing and implementing risk management strategies and action plans to mitigate the corporation's top risks.

The FCC Board of Directors oversees the corporation's risk governance framework, which is supported by policies and committees that guide corporate decision-making.

While Canadian agriculture continues to be healthy from a risk management perspective, challenges persist in the hog industry. Canadian hog producers were negatively affected by high feed prices and low hog prices in the second quarter. This trend continued into the third quarter, however hog sector margins began to improve as feed prices eased from their peak and hog prices increased. Despite the month-over-month improvements in hog sector margins, average hog sector margins for the third quarter were slightly lower than the second quarter.

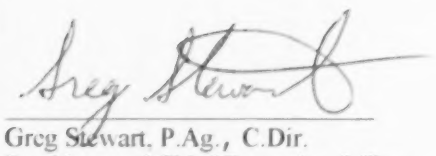
Farrow-to-finish operations were covering cash costs in the later part of the third quarter and are expected to be operating in a profitable position in the later part of the fourth quarter or in the first quarter of next year.

FCC is not expecting material financial impacts as a result of the situation in the hog industry, due to the corporation's diversified portfolio.

Statement of management responsibility

Management is responsible for the preparation and fair presentation of these consolidated quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in this quarterly report is consistent, where appropriate, with the consolidated quarterly financial statements.

Based on our knowledge, these unaudited consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the consolidated quarterly financial statements.



Greg Stewart, P.Ag., C.Dir.
President and Chief Executive Officer

Rick Hoffman, CMA, MBA
Executive Vice-President and Chief Financial Officer

Regina, Canada
February 19, 2013

Condensed Consolidated Financial Statements
Consolidated Balance Sheet

(Unaudited)
(Thousands of Canadian dollars)

	Dec. 31, 2012	March 31, 2012
Assets		
Cash and cash equivalents	$ 952,018	$ 904,217
Temporary investments	109,690	83,813
Accounts receivable	13,578	16,356
Derivative financial assets	69,031	67,898
	1,144,317	1,072,284
Loans receivable – net (Notes 2 and 3)	24,583,347	22,580,309
Finance leases receivable – net	12,570	9,541
Venture capital investments	65,613	53,527
	24,661,530	22,643,377
Equipment and leasehold improvements	23,050	26,655
Computer software	40,563	40,091
Equipment under operating leases	37,142	28,331
Other assets	18,630	18,307
	119,385	113,384
Total assets	$ 25,925,232	$ 23,829,045
Liabilities		
Accounts payable and accrued liabilities	$ 107,050	$ 59,675
Derivative financial liabilities	-	84
	107,050	59,759
Borrowings (Note 4)		
Short-term debt	10,329,212	9,568,666
Long-term debt	11,744,593	10,772,729
	22,073,805	20,341,395
Transition loan liability	84,956	84,108
Retirement benefit liabilities	201,436	224,060
Other liabilities	13,469	11,550
	299,861	319,718
Total liabilities	22,480,716	20,720,872
Equity		
Contributed surplus	547,725	547,725
Retained earnings	2,682,080	2,340,813
Accumulated other comprehensive income	190,939	203,477
Equity attributable to shareholder of parent entity	3,420,744	3,092,015
Non-controlling interest in special purpose entity	23,772	16,158
	3,444,516	3,108,173
Total liabilities and equity	$ 25,925,232	$ 23,829,045

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Operations

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Interest income	$ 287,134	$ 268,287	$ 837,423	$ 797,275
Interest expense	67,873	64,134	194,995	197,896
Net interest income	219,261	204,153	642,428	599,379
Provision for credit losses	(26,786)	64,455	19,460	1,461
Net interest income after provision for credit losses	246,047	139,698	622,968	597,918
Net insurance income	2,485	3,497	8,010	8,703
Other income	522	613	997	1,768
Net interest income and non-interest income	249,054	143,808	631,975	608,389
Administration expenses				
Salary expense	37,038	31,724	104,484	95,332
Benefits expense	14,247	9,477	41,656	29,513
Professional fees expense	10,049	7,657	28,030	22,001
Facilities, software and equipment expense	6,153	6,255	18,635	17,853
Amortization and depreciation expense	5,852	4,989	16,856	17,181
Travel and training expense	3,449	3,954	9,589	10,406
Marketing and promotion expense	2,878	2,730	6,125	4,703
Other expenses	2,678	1,718	9,864	6,868
Total administration expenses	82,344	68,504	235,239	203,857
Net income before fair value adjustment	166,710	75,304	396,736	404,532
Fair value adjustment	(1,522)	(1,868)	14	(2,807)
Net income	$ 165,188	$ 73,436	$ 396,750	$ 401,725
Net income (loss) attributable to:				
Shareholder of parent entity	$ 165,932	$ 74,136	$ 397,697	$ 402,044
Non-controlling interest in special purpose entity	(744)	(700)	(947)	(319)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Net income	**$ 165,188**	$ 73,436	**$ 396,750**	$ 401,725
Other comprehensive income				
Net (losses) gains on derivatives designated as cash flow hedges	**(2,326)**	3,501	**4,679**	49,604
Transfer of net realized gains on derivatives designated as cash flow hedges to net income	**(5,744)**	(5,237)	**(17,149)**	(12,968)
Change in net (losses) gains on derivatives designated as cash flow hedges	**(8,070)**	(1,736)	**(12,470)**	36,636
Net unrealized (losses) gains on available-for-sale financial assets	**(171)**	(596)	**(68)**	281
Total other comprehensive (loss) income	**$ (8,241)**	$ (2,332)	**$ (12,538)**	$ 36,917
Total comprehensive income	**$ 156,947**	$ 71,104	**$ 384,212**	$ 438,642
Total comprehensive income (loss) attributable to:				
Shareholder of parent entity	**$ 157,691**	$ 71,804	**$ 385,159**	$ 438,961
Non-controlling interest in special purpose entity	**(744)**	(700)	**(947)**	(319)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Changes in Equity

(Unaudited)
(Thousands of Canadian dollars)

	Balance Oct. 1, 2012	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	**Balance Dec. 31, 2012**
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	**$ 547,725**
Retained earnings	2,516,148	165,932		-	-	**2,682,080**
Net gains (losses) on derivatives designated as cash flow hedges	199,645	-	(8,070)	-	-	**191,575**
Net unrealized losses on available-for-sale financial assets	(465)	-	(171)	-	-	**(636)**
Total accumulated other comprehensive income (loss)	199,180	-	(8,241)	-	-	**190,939**
Total equity attributable to parent	3,263,053	165,932	(8,241)	-	-	**3,420,744**
Non-controlling interest in special purpose entity	22,748	(744)	-	-	1,768	**23,772**
Total	$ 3,285,801	$ 165,188	$ (8,241)	$ -	$ 1,768	**$ 3,444,516**

(Unaudited)
(Thousands of Canadian dollars)

	Balance Oct. 1, 2011	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	Balance Dec. 31, 2011
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	$ 547,725
Retained earnings	2,266,374	74,136	-	(17,500)	-	2,323,010
Net gains (losses) on derivatives designated as cash flow hedges	221,669	-	(1,736)	-	-	219,933
Net unrealized losses on available-for-sale financial assets	(616)	-	(596)	-	-	(1,212)
Total accumulated other comprehensive income (loss)	221,053	-	(2,332)	-	-	218,721
Total equity attributable to parent	3,035,152	74,136	(2,332)	(17,500)	-	3,089,456
Non-controlling interest in special purpose entity	14,589	(700)	-	-	1,070	14,959
Total	$ 3,049,741	$ 73,436	$ (2,332)	$ (17,500)	$ 1,070	$ 3,104,415

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

(Unaudited)
(Thousands of Canadian dollars)

	Balance April 1, 2012	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	**Balance Dec. 31, 2012**
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	**$ 547,725**
Retained earnings	2,340,813	397,697	-	(56,430)	-	**2,682,080**
Net gains (losses) on derivatives designated as cash flow hedges	204,045	-	(12,470)	-	-	**191,575**
Net unrealized losses on available-for-sale financial assets	(568)	-	(68)	-	-	**(636)**
Total accumulated other comprehensive income (loss)	203,477	-	(12,538)	-	-	**190,939**
Total equity attributable to parent	3,092,015	397,697	(12,538)	(56,430)	-	**3,420,744**
Non-controlling interest in special purpose entity	16,158	(947)	-	-	8,561	**23,772**
Total	$ 3,108,173	$ 396,750	$ (12,538)	$ (56,430)	$ 8,561	**$ 3,444,516**

(Unaudited)
(Thousands of Canadian dollars)

	Balance April 1, 2011	Net income	Other comprehensive income	Dividend declared	Distributions to non-controlling interest	Balance Dec. 31, 2011
Contributed surplus	$ 547,725	$ -	$ -	$ -	$ -	$ 547,725
Retained earnings	1,938,466	402,044	-	(17,500)	-	2,323,010
Net gains on derivatives designated as cash flow hedges	183,297	-	36,636	-	-	219,933
Net unrealized (losses) gains on available-for-sale financial assets	(1,493)	-	281	-	-	(1,212)
Total accumulated other comprehensive income	181,804	-	36,917	-	-	218,721
Total equity attributable to parent	2,667,995	402,044	36,917	(17,500)	-	3,089,456
Non-controlling interest in special purpose entity	13,376	(319)	-	-	1,902	14,959
Total	$ 2,681,371	$ 401,725	$ 36,917	$ (17,500)	$ 1,902	$ 3,104,415

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated Statement of Cash Flows

(Unaudited)
(Thousands of Canadian dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Operating activities				
Net income	**$ 165,932**	$ 74,136	**$ 397,697**	$ 402,044
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income	**(219,261)**	(203,883)	**(642,428)**	(599,379)
Unwind adjustment on impaired loans	**3,775**	102	**3,506**	62
Provision for credit losses	**(26,786)**	64,455	**19,460**	1,461
Fair value adjustment	**1,522**	1,868	**(14)**	2,807
Depreciation and amortization (1)	**(1,502)**	(2,833)	**(5,909)**	(1,419)
Other	**111**	(96)	**(779)**	(672)
Net cash outflow from loans receivable	**(341,481)**	(456,700)	**(2,043,197)**	(1,839,237)
Net cash outflow from finance leases receivable	**(165)**	(1,902)	**(2,835)**	(3,870)
Net change in other operating assets and liabilities	**(12,277)**	5,606	**(4,290)**	(60,386)
Interest received	**332,844**	310,097	**841,427**	800,741
Interest paid	**(74,506)**	(58,120)	**(206,080)**	(182,780)
Cash used in operating activities	**$ (171,794)**	$ (267,270)	**$ (1,643,442)**	$ (1,480,628)
Investing activities				
Net cash (outflow) inflow from temporary investments	**$ (54,804)**	$ 54,880	**$ (25,935)**	$ (128,538)
Acquisition of venture capital investments	**(2,786)**	(6,882)	**(11,026)**	(7,894)
Proceeds on disposal and repayment of venture capital investments	**7**	4	**52**	4,930
Purchase of equipment and leasehold improvements	**(970)**	(1,907)	**(4,129)**	(4,857)
Purchase of computer software	**(3,596)**	(3,174)	**(9,629)**	(7,592)
Purchase of equipment under operating leases	**(1,984)**	(2,826)	**(12,970)**	(11,175)
Disposal of real estate property held for sale	**-**	(1,987)	**199**	(1,888)
Cash (used in) provided by investing activities	**$ (64,133)**	$ 38,108	**$ (63,438)**	$ (157,014)
Financing activities				
Long-term debt issued	**$ 1,509,960**	$ 889,311	**$ 4,406,221**	$ 3,025,829
Long-term debt repaid	**(1,014,000)**	(588,942)	**(2,555,254)**	(2,721,411)
Short-term debt issued	**8,270,458**	7,062,510	**25,130,339**	23,547,504
Short-term debt repaid	**(8,576,097)**	(7,066,907)	**(25,226,575)**	(22,185,618)
Cash provided by financing activities	**$ 190,321**	$ 295,972	**$ 1,754,731**	$ 1,666,304
Change in cash and cash equivalents	**$ (45,606)**	$ 66,810	**$ 47,851**	$ 28,662
Cash and cash equivalents, beginning of period	**997,375**	563,828	**904,217**	601,840
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**249**	130	**(50)**	266
Cash and cash equivalents, end of period	**$ 952,018**	$ 630,768	**$ 952,018**	$ 630,768
Cash and cash equivalents are comprised of:				
Cash	**$ 69,216**	$ 86,466	**$ 69,216**	$ 86,466
Short-term investments	**882,802**	544,302	**882,802**	544,302

(1) Includes the depreciation of equipment and leasehold improvements and equipment under operating leases and the amortization of computer software. It also includes the amortization of accumulated other comprehensive income, bond premium or discount, deferred revenue fees and deferred initial direct leasing costs.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Significant accounting policies

Basis of presentation

Condensed consolidated interim financial statements (interim financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 – Interim Financial Reporting.

These interim financial statements do not include all of the information required for complete annual financial statements and should be read in conjunction with the annual, audited financial statements for the year ended March 31, 2012.

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the annual, audited financial statements for the year ended March 31, 2012.

Unless otherwise stated, all dollar amounts presented in the Notes to the Condensed Consolidated Financial Statements are in thousands of Canadian dollars, which is the functional currency of the corporation.

Accounting standards issued but not yet effective

The corporation has reviewed the new standards, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), but are not yet effective, and determined that the following may have an impact on the corporation. Management is assessing the impact of these standards and amendments on the corporation's financial statements and accounting policies.

Standard	Details	Annual periods commencing on or after
IFRS 7 – Financial Instruments: Disclosures	The amended standard was issued together with the amended IAS 32 - Financial Instruments: Presentation to enhance disclosures about the offsetting of financial assets and financial liabilities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2015
IFRS 9 – Financial Instruments	The new standard provides requirements for classifying and measuring financial assets and liabilities. This standard is the first in a three-phase project in progress by the IASB to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety. It is anticipated that this standard will result in a change in classification of the corporation's temporary investments from available for sale to fair value through profit and loss.	Jan. 1, 2015
IFRS 10 – Consolidated Financial Statements	The new standard replaces the consolidation requirements in IAS 27 – Consolidated and Separate Financial Statements and SIC-12 – Consolidation – Special Purpose Entities. It establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	The new standard establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It is anticipated that this standard will result in increased disclosure on venture capital investments.	Jan. 1, 2013
IFRS 13 – Fair Value Measurement	The new standard establishes new guidance on fair value measurement and disclosure requirements. It is anticipated that this standard will result in increased disclosure on fair value measurement.	Jan. 1, 2013
IAS 19 – Employee Benefits	The standard was amended to improve the recognition, presentation and disclosure of defined benefit plans. The amendments revised the calculation of finance costs that are included in net income. It is anticipated that finance costs will increase, offset by an increase in other comprehensive income.	Jan. 1, 2013
IAS 28 – Investments in Associates and Joint Ventures	The standard was reissued as Investments in Associates and Joint Ventures as a result of the new standards IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2013
IAS 32 – Financial Instruments: Presentation	The amended standard was issued together with the amended IFRS 7 – Financial Instruments: Disclosures to clarify the guidance on the offsetting of financial assets and financial liabilities. No significant changes are anticipated as a result of this standard.	Jan. 1, 2014

2. Loans receivable – net

($ thousands)

	Remaining term to maturity				
	Within 1 year	1 - 5 years	Over 5 years	Dec. 31, 2012	March 31, 2012
Floating	$ 1,493,382	$ 13,758,169	$ 710,532	$ 15,962,083	$ 14,810,553
Fixed	1,174,080	5,823,447	1,994,491	8,992,018	8,129,614
Performing loans	2,667,462	19,581,616	2,705,023	24,954,101	22,940,167
Impaired loans				283,700	285,118
Deferred loan fees				(22,895)	(23,026)
Loans receivable – gross				25,214,906	23,202,259
Allowance for credit losses				(631,559)	(621,950)
Loans receivable – net				$ 24,583,347	$ 22,580,309

3. Allowance for credit losses – loans receivable

($ thousands)

	Dec. 31, 2012	March 31, 2012
Individual allowance, beginning of year	$ 140,800	$ 157,734
Provision for credit losses	22,894	13,099
Losses covered under the Hog Industry Loan Loss Reserve Program	6,152	2,623
Unwind adjustment on impaired loans	3,506	535
Writeoffs	(20,950)	(36,074)
Recoveries	1,528	2,883
Individual allowance, end of period	$ 153,930	$ 140,800
Collective allowance, beginning of year	$ 481,150	$ 497,644
Provision for credit losses	(3,505)	(11,378)
Losses covered under the Hog Industry Loan Loss Reserve Program	1,750	(1,682)
Writeoffs	(1,918)	(3,608)
Recoveries	152	174
Collective allowance, end of period	$ 477,629	$ 481,150
Total allowance	$ 631,559	$ 621,950

4. Borrowings

Short-term debt

($ thousands)

	Dec. 31, 2012	March 31, 2012
Government of Canada debt	$ 10,052,804	$ 9,223,172
Retail and institutional fixed-rate notes	182,196	238,994
Promissory notes	86,600	94,873
Cash collateral due to derivative counterparties	7,407	6,156
Structured notes	205	5,471
Total	$ 10,329,212	$ 9,568,666

Long-term debt

($ thousands)

	Dec. 31, 2012	March 31, 2012
Government of Canada debt	$ 11,333,144	$ 10,205,227
Retail and institutional fixed-rate notes	411,449	567,280
Structured notes	-	222
Total	$ 11,744,593	$ 10,772,729

The corporation enters into borrowings with the Government of Canada through the Crown Borrowing Program. Interest accrued and incurred on these borrowings is recorded in borrowings and interest expense, respectively. The Government of Canada interest expense recorded to December 31, 2012, was $145.3 million (December 31, 2011 - $149.3 million).